Annual Report 1973

indusmin limited

Year in Brief

(Dollars in 000's except amounts per share)

	1973	1972
Net sales	$ 16,145	$ 13,221
Net earnings	1,636	1,248
Net earnings per share	$ 1.40	$ 1.07
Dividends declared per share	$ .75	$ .55
Cash flow per share	$ 3.23	$ 2.80
Total assets	$ 19,484	$ 18,965
Shareholders' equity	13,618	12,857
Equity per share	$ 11.66	$ 11.01
Issued capital — shares	1,167,901	1,167,901
Sales by product — Nepheline Syenite	*31.4%*	*35.8%*
% of Total — Aggregates	*30.4*	*23.4*
— Silica (Quebec)	*21.8*	*25.4*
— Silica (Ontario)	*16.4*	*15.4*
Total divisional operating profit	$ 4,116	$ 3,181
deduct: — corporate expense	1,035	1,017
— research & development expense	368	414
— interest expense	274	298
Income before taxes	2,439	1,452
Income and mining taxes	962	646
Net income —	1,477	806
— as a % of sales	*9.1*	*6.1*
Add extraordinary item	159	442
Net earnings	$ 1,636	$ 1,248
Number of Shareholders	2,811	3,036
Number of Employees	430	400

The Annual Meeting of the Shareholders of Indusmin Limited will be held in the Elizabeth Room of the King Edward Hotel, 37 King Street East, Toronto on Wednesday April 10, 1974 at the hour of 11:00 o'clock in the forenoon.

To Our Shareholders:

Net earnings of $1,636,246 in 1973 were the highest in the history of your Company, exceeding slightly the previous high of $1,539,000 established in 1969. A comparison of pre-tax earnings, however, is more indicative of the real gains achieved, $2,438,577 in 1973 and $1,667,000 in 1969.

The net earnings per share (on 1,167,901 shares) and cash recovery per share amounted to $1.40 and $3.23, respectively. There were two dividend payments totalling 75 cents per share, 25 cents paid June 20, 1973, and 50 cents paid December 20, 1973. The latter payment included an extra dividend of 25 cents. The 1973 dividend payment of $875,926 brought the total of such disbursements to $7,463,861.

The 1973 sales volume, $16,145,216 represented an increase of 22.1% in comparison with 1972. This gain reflects the favorable market conditions prevailing, particularly for the Construction Materials Division, and the improved performance of the Midland milling plant of the Ontario Silica Operations.

Your Company in 1973 sold in excess of 4,800,000 tons, paid out $5,600,000 in wages and related costs, and consumed $6,000,000 worth of materials, supplies and services. Indusmin activity during the year generated payments of $12,400,000 to rail, highway and water commercial carriers for distribution of its products.

The Company's favorable performance was achieved in spite of some unusual problems. Our product shipping schedules were disrupted by a prolonged rail strike and a chronic shortage of rail cars and paper containers. Structural steel was also in short supply delaying the completion of planned capital programs. There were no work stoppages due to a shortage of fuel; however, rising fuel prices (annual consumption 3,000,000 gallons) had a significant impact on operating costs.

Expenditures on corporate development in 1973 totalled $367,885, approximately 2.3% of sales.

In 1973 there prevailed a corporate-wide emphasis on the development of cost reduction measures and much of the research capability was directed to the improvement of mill productivity and recoveries, and the development of saleable product from mine and mill wastes.

For the past three years we have received financial assistance from the National Research Council to conduct a basic research program. This program generated an interesting variety of new product leads, all of which are in need of further assessment as to economic viability. For this reason we have not requested financial assistance beyond March 31, 1974. The program will continue, on a much reduced scale, to define the most promising direction for future efforts.

The diversification program, temporarily halted while we resolved the difficulties in the Ontario Silica Operation and reduced the bank loan to acceptable levels, was aggressively resumed in 1973. The immediate goal is expansion of the Construction Materials Division. Your Management believes that it would be logical to expand the Construction Materials Division to produce one or more concrete products, and related feasibility studies are nearing completion.

The quality of the Saskatchewan bentonite, and the ore reserves, failed to meet expectations and the options on the properties were allowed to expire. A variety of other mineral prospects was examined but promising leads were absent.

There were 2,811 Indusmin shareholders as of December 31, 1973 (3,036 in 1972). Residents of Canada held 96% of the issued capital. Falconbridge Nickel Mines Limited held 806,030 shares, approximately 69% of the 1,167,901 shares issued. The issued capital did not change in 1973.

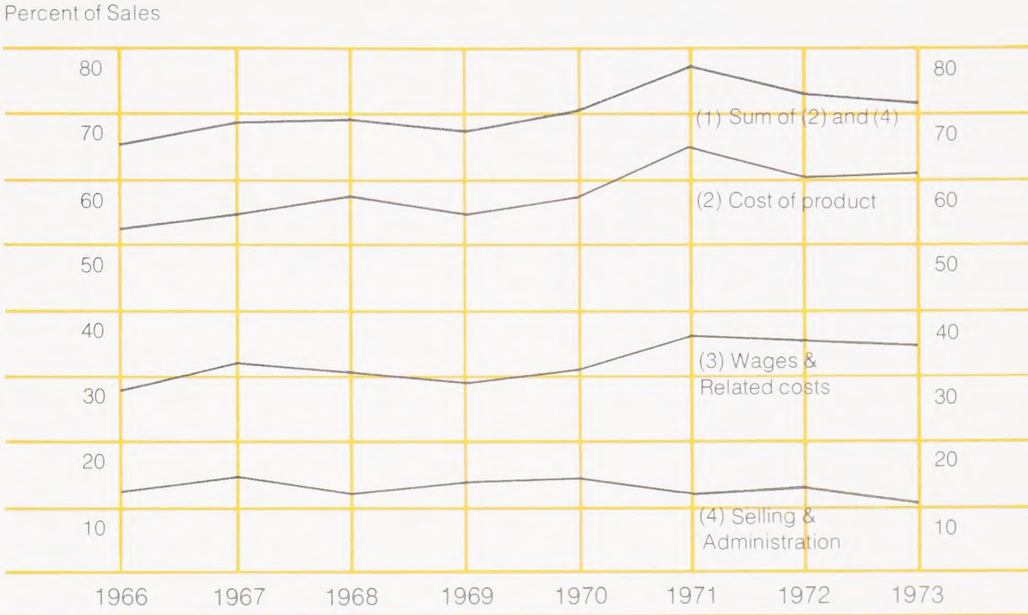
It is difficult indeed to forecast sales for 1974 due to our inability to predict the duration and magnitude of the shortages of fuel, soda ash and other commodities. The sales prospects otherwise, are generally favorable. Sales in the Construction Materials Division will be below those of 1973, when extraordinary circumstances prevailed, but will be offset by gains elsewhere. Price increases have been implemented, hopefully of sufficient magnitude to maintain our profitability margins. Earnings in 1974 should match those of 1973.

There were several notable accomplishments in 1973 despite problems often beyond the Company's control, and none of these could have been realized without the strenuous efforts of Indusmin employees at all locations. Your Directors extend their warm gratitude for the results achieved. The understanding and co-operation of our customers during the period of the rail strike enabled the Company to maintain in large measure its reputation for excellent service, and this support was greatly appreciated. The special efforts made by our suppliers when shortages prevailed also represents a valuable contribution.

On behalf of the Board of Directors

J. J. Mather
President and Managing Director
February 12, 1974

Financial Summary



Sales

Total billings in 1973 amounted to $20,800,000. Accounts Receivable at year end were $3,694,702 being 17.8% of billings. Net sales, that is, billings less charges for transportation were $16,145,216.

The seasonal pattern in sales altered appreciably from the norm due to the extraordinarily favorable first quarter market conditions prevailing for the Construction Materials Division. Sales as a percentage of total sales in the first, second, third and final quarters were 19.4%, 27.0%, 26.7% and 26.9%, respectively.

An analysis of sales by industry reflects a significant shift. With the prior year's figure in brackets, the break-out by end-use is: glass containers 26.7% (29.8%); paving materials 18.8% (13.9%); concrete products 14.4% (15.3%); ceramic products 9.8% (12.6%); flat and other glass products 4.6% (6.1%); abrasives 5.8% (7.0%); filler applications 5.4% (5.2%); glass fibers 5.0% (5.1%); miscellaneous 9.5% (5.0%).

There was a change also in the distribution of sales within the principal market areas. Canada 75.5% (70.7%); the United States 22.6% (26.9%); other countries 1.9% (2.4%). This shift does not reflect in any way a decline in the Company's market position in the United States, but rather points up the rapid growth in sales of the Aggregates and Ontario Silica Operations whose markets are principally in Canada.

Earnings

	1973	1972
Net income before the extraordinary item	$1,476,746	$ 806,019
Net income as a per cent of sales	9.1%	6.1%
Extraordinary item	$ 159,500	$ 442,100
Net earnings	$1,636,246	$1,248,119
Return on shareholders' equity	12.0%	9.7%

The improvement in profitability is a direct result of the gain in sales. It is a characteristic of the operations that the overhead costs, of which depreciation charges form a major part, are relatively stable over a wide span of outputs. In 1973 most of our plants operated at or near capacity, a highly desirable situation. From a marketing standpoint, however, this is not entirely satisfactory. In 1974 we plan to effect expansions in several sectors to keep pace with our customers' requirements and to develop new business.

Net earnings by quarter were as follows:

	1973	1972
First	$ 124,195	$ (5,581)
Second	529,522	398,292
Third	502,711	598,893
Fourth	479,818	256,515
Total	$1,636,246	$1,248,119

Cash recovery in 1973 amounted to $3,776,785 ($3.23 per share). The comparable figure for 1972 was $3,266,476 ($2.80 per share).

Debt

Since 1968 the Company has been in a deficit working capital position, precipitated by the borrowing of funds from the bank for the development of the Ontario Silica deposits. These borrowed funds were accounted for as a current liability. A positive working capital position ($636,798) was achieved by year end.

Bank indebtedness was reduced by $1,514,751 to $2,729,491 at year end. In spite of this sizeable reduction in the loan, interest costs in 1973, $274,303, were but $24,236 lower than in 1972.

Write-offs

Depletion and depreciation charges and pre-development expenses written off totalled $2,060,439, equal to 54.6% of the cash flow.

Depreciation, 89.8% of the total write-offs, is calculated on a straight line basis, assuming a useful life of six years for mobile equipment and twelve years for all other plant and equipment.

Further explanation of the write-off policies is to be found in the notes to the financial statements.

Capital Expenditures

Expenditures on land, plant and equipment were $1,439,320 amounting to 69.9% of the write-offs and 38.1% of the cash flow. The expenditures were allocated as follows: to increase capacity 39%; for replacements and plant modernization 49%; for environmental control 11%; other purposes 1%.

The cost of similar programs in 1974 is estimated to be $3,000,000. Of this amount some 35% will be spent on plant expansion principally within the Nepheline Syenite Operation.

Subsidiaries

The wholly-owned American Nepheline Corporation provides, on Indusmin's behalf, technical and engineering services to customers in the United States. In addition, American Nepheline Corporation acts as a sales agent for a United States principal. Efforts to extend this latter function were only modestly productive in 1973, but the quest continues.

The Klukwan Iron Ore Corporation is based in Alaska; its principal asset is a large low-grade iron ore deposit in that State. The Company's properties were leased in 1961 to the United States Steel Corporation. The lease expires in the year 2036, but may be terminated by the lessee upon 90 days' notice at any time. If the ore deposit has not been developed by 1981, the property rights revert to Klukwan.

Indusmin has a 93.6% voting interest and a 70% interest in the profits of Klukwan. Klukwan's principal source of revenue is $100,000 annual royalty. Klukwan paid a dividend in 1973 of $(U.S.) 59,366 on net earnings of $(U.S.) 69,081. Indusmin's share of the dividend was $(U.S.) 42,600. At year end Klukwan recorded working capital of $(U.S.) 213,877. The financial statements of Klukwan have not been consolidated with those of Indusmin. The investment in the shares of Klukwan is carried on the Indusmin books at cost ($321,053).

Industrial Materials Division

Division Manager: R. Lavertu
Sales Manager: W. B. Midgette

Nepheline Syenite Operation

Mine Manager: G. H. Taylor

	1973	1972
Sales Volume–dollars	$5,063,378	$4,737,456
–tons	350,000	343,000
% of Total $ Sales	31.4%	35.8%

Sales in 1973, in comparison with the previous year, increased 6.9% in dollar volume and 2.0% in terms of tons sold. Market conditions were favorable until late in the year when our customers were forced to cut back glass production due to an acute shortage of soda ash. From all appearances the shortage of soda ash will prevail for many months and significant growth for us in that particular market in 1974 seems improbable. The market potential overseas is diminishing due to the rapid rise in ocean shipping costs.

The demand rate for some products approached milling capacity and sectors of the plant will be expanded in 1974. The estimated cost of these expansion programs is $640,000.

Capital expenditures in the year amounted to $336,195. Projects are planned for 1974 costing an estimated $1,200,000. The expansions referred to will account for 54% of the expenditures and additions to the environmental control systems another 20%, while replacement of rolling stock and other improvements account for the remainder.

The Collective Bargaining Agreement expires in October 1974.

Ore reserves — proven — 12,700,000 tons
— probable — 8,300,000 tons

Ontario Silica Operation

Mine Manager: A. R. Watt

	1973	1972
Sales Volume–dollars	$2,653,937	$2,034,282
–tons	363,000	289,000
% of Total $ Sales	16.4%	15.4%

The gain in sales in comparison with 1972 was 30.5%. From the beginning of operations in 1969 the inhibiting factor has been the milling capacity, not the sales potential. The production of secondary products in 1973 was a notable 31% higher than in 1972; even so, substantial additional sales potential exists and the efforts to upgrade performance and increase the utilization of fines will continue. The full profit potential of this operation has not yet been achieved, but its realization within two years appears to be a reasonable prediction.

This operation in 1973 generated a positive cash flow of $771,000, some $454,000 more than in 1972. Depreciation charges amounted to $719,000.

Capital expenditures in 1973 were $317,057. Programs approved for 1974 will cost an estimated $753,000 — much of which will be directed to the improvement of productivity in the Midland milling plant.

Two Collective Bargaining Agreements are in force. The Badgeley agreement expires in April 1975, and the Midland agreement expires in April 1976.

Ore reserves at year end amounted to 15 million tons. This figure does not include the vast quantities of ore available of a quality suitable for the market for crude quartzite. If the demand for crude continues to exhibit growth potential, facilities will be installed to process both ore types and thereby extend the life of the ore of glass-making quality.

Quebec Silica Operation

Mine Manager: G. E. Rodger

	1973	1972
Sales Volume–dollars	$3,524,578	$3,362,568
–tons	406,000	410,000
% of Total $ Sales	21.8%	25.4%

The anticipated growth in sales was not realized. The shortage of soda ash and the rail strike affected sales here as elsewhere in the Industrial Materials Division, but there was an additional adverse situation in Quebec; a prolonged strike in the glass industry.

In March of 1969 the Federal Government expropriated vast tracts of land, including Indusmin's properties at St. Canut, for the construction of a new International Airport. The negotiations, conducted over a period of five years, are nearing a conclusion. The latest Government offer, received in January 1974, provides for the continuation of our St. Canut operations for a minimum period of twenty years, on terms that are acceptable in principle to your Board of Directors. There is much by way of detail to be settled, and the appropriate legal documents must be drawn, but we do not anticipate any undue difficulties or delays in negotiating the final settlements.

Expenditures of a capital nature in 1973 amounted to $281,987. Programs costing an estimated $374,000 have been approved for completion in 1974.

The Whitby, Ontario property, no longer of use as a distribution yard, was disposed of in 1973 giving rise to a gain on disposal of assets of $131,000.

There are two Collective Bargaining Agreements covering the employees in the Quebec Silica Operations. The St. Donat agreement was renewed in July 1973 for a period of three years. The St. Canut agreement expired in January 1974 and negotiations for renewal are now taking place.

Ore reserves — proven — 7,100,000 tons
— probable — 12,100,000 tons

Construction Materials Division

Division Manager: A. G. Borud
Sales Manager: A. E. Jones

Aggregates

Mine Manager, Acton: D. L. Murdy
Mine Manager, Halton: G. R. Lee

	1973	1972
Sales Volume–dollars	$4,903,323	$3,086,776
–tons	3,700,000	2,500,000
% of Total $ Sales	30.4%	23.4%

The sales volume in 1973 in comparison with 1972 represented an increase of 48.0% in tons sold, and 58.8% in dollar volume. The gain was extraordinary, far exceeding expectations. It reflected the extremely favorable market conditions and the temporary interruption of deliveries from one supplier while major plant modifications were effected. We anticipate a return to normal condition in 1974, and while sales will fall below 1973 levels, they should be higher than in 1972.

Indusmin in 1970 leased the Halton property and plant from Halton Crushed Stone Limited to complement its own operations at Acton. The first term of the lease expires at the end of 1979, but is renewable thereafter, at Indusmin's option, for an additional 28 years, to February 10, 2008, in increments of five years.

The extraordinary sales volume severely strained production capabilities, leaving little time for the repair and maintenance of equipment. This condition generated abnormally high operating costs, but with benefit of the large divisor to reduce unit fixed costs, the earnings performance was quite satisfactory.

The quarry site rehabilitation programs of 1973 brought the progress to date to a point well in advance of the requirement stipulated in the plans filed with and authorized by the Provincial authorities. There are no current plans to utilize the mined-out areas for the disposal of solid waste. In the Company's 1972 Annual Report there was reference to Indusmin's activity in this field. In conjunction with others, your Company submitted to Metropolitan Toronto a proposal for the recycling of the paper in the municipal waste and the compacting and baling of the remainder for disposal in Indusmin's Acton Quarry; however, the contract was awarded to another bidder.

A commission has been formed by the Provincial Government to establish an overall policy for the protection of the Niagara Escarpment. Both quarries of this Division are located on the escarpment, but we do not foresee at this time, any serious interference with operations.

Capital expenditures in 1973 amounted to $457,187, principally for loading and haulage equipment in the quarries. The approved capital budget for 1974 is $662,000, much of which is again allocated to the replacement of rolling stock.

The Acton Collective Bargaining Agreement expires in October, 1974.

The ore reserves at Halton and Acton are conservatively estimated to be 15 million tons and 70 million tons respectively. The normal annual extraction rate at Halton is 800,000 tons, and at Acton 2,000,000 tons.

The above is the front cover of a French and an English edition of INDUSMAN. The magazine is published every second month by Indusmin Limited for its employees. In addition there is distribution to Indusmin customers.

indusmin limited

(incorporated under the laws of Canada)

Consolidated Statement of Earnings and Retained Earnings

year ended December 31, 1973

	1973	1972
Sales	$16,145,216	$13,221,082
Cost of products sold	9,802,217	7,996,133
Selling, general and administrative expenses	1,767,550	1,639,762
	11,569,767	9,635,895
Operating profit before providing for depletion, development expenditures and depreciation	4,575,449	3,585,187
Depletion	36,618	31,819
Development expenditures written off	174,449	180,989
Depreciation	1,849,372	1,698,340
	2,060,439	1,911,148
Operating profit	2,515,010	1,674,039
Interest expense	274,303	298,539
	2,240,707	1,375,500
Gain on sale of surplus land	131,031	—
Income from investments	66,839*	76,296*
	2,438,577	1,451,796
Income and mining taxes		
Currently payable	722,231	130,177
Deferred (note 6)	239,600	515,600
	961,831	645,777
Net income before the undernoted extraordinary item	1,476,746	806,019
Extraordinary item (note 6)	159,500	442,100
Net earnings for the year	1,636,246	1,248,119
Retained earnings, beginning of year	2,003,354	1,397,580
	3,639,600	2,645,699
Dividends paid	875,926	642,345
Retained earnings, end of year	$ 2,763,674	$ 2,003,354

*including in 1973 dividends of $59,284 received from associated companies ($73,690 in 1972)

Earnings per share:		
Before extraordinary item	$1.26	$ .69
After extraordinary item	$1.40	$1.07

Consolidated Statement of Financial Position

December 31, 1973

	1973	1972
Current assets		
Cash	$ 25,387	$ 9,267
Accounts receivable for product and freight	3,694,702	2,915,088
Inventories (note 2)	1,814,881	1,654,597
Prepaid expenses and other current assets	241,034	150,799
	5,776,004	4,729,751
less		
Current liabilities		
Bank advances	2,729,491	4,244,242
Accounts payable and accrued charges	1,502,539	1,254,294
Estimated income and mining taxes payable	653,576	72,895
Principal payments due within one year on mortgage loans and notes	253,600	2,000
	5,139,206	5,573,431
Working capital (deficiency)	636,798	(843,680)
Mining properties, plant and equipment, net (notes 3 and 4)	11,361,373	11,808,044
Other mining properties and expenditures thereon	666,800	672,110
Unamortized deferred development expenditures	779,291	953,740
Investment in unconsolidated subsidiary (note 1)	321,053	321,053
Investment in associated and other companies (note 5)	447,313	447,313
Loans receivable, secured	132,126	32,988
Total assets less current liabilities	14,344,754	13,391,568
Mortgage loans and notes, less amounts due within one year	249,566	136,800
Deferred income and mining taxes (note 6)	477,500	397,400
	727,066	534,200
Shareholders' equity	$13,617,688	$12,857,368
Ownership evidenced by:		
Capital stock		
Authorized — 2,000,000 shares with no par value		
Issued and fully paid — 1,167,901 shares	$10,854,014	$10,854,014
Retained earnings	2,763,674	2,003,354
	$13,617,688	$12,857,368

Approved on behalf of the Board:

W. E. Curry, Director

J. J. Mather, Director

indusmin limited

Consolidated Statement of Source and Application of Funds

year ended December 31, 1973

	1973	1972
Source of funds		
Net earnings for the year	$ 1,636,246	$ 1,248,119
Charges against operations which did not require a cash outlay during the year:		
Depreciation, depletion and amortization of deferred development expenditures	2,060,439	1,911,148
Disposal of fixed assets	—	33,709
Income and mining taxes deferred, less extraordinary item (note 6)	80,100	73,500
	3,776,785	3,266,476
Notes payable with respect to equipment purchases, less payments thereon in 1973	366,366	—
	4,143,151	3,266,476
Application of funds		
Expenditures on land, plant, equipment and mine development	1,439,320	1,334,780
Expenditures on sundry other assets	93,827	(1,187)
Provision for payments on notes and mortgage loans	253,600	2,000
Dividends paid to shareholders	875,926	642,345
	2,662,673	1,977,938
INCREASE IN WORKING CAPITAL	1,480,478	1,288,538
WORKING CAPITAL (DEFICIENCY), beginning of year	(843,680)	(2,132,218)
WORKING CAPITAL (DEFICIENCY), end of year	$ 636,798	$ (843,680)

Auditors' report to the shareholders

We have examined the consolidated statement of financial position of Indusmin Limited and its wholly-owned subsidiary companies as at December 31, 1973 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Indusmin Limited and its consolidated subsidiaries as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McColl, Turner & Co.

Peterborough, Canada
January 30, 1974

Chartered Accountants

Notes to Consolidated Financial Statements

December 31, 1973

1. **Accounting policies**

(a) Consolidation policy

(i) The consolidated financial statements for 1973 reflect the financial position and the results of the operations of Indusmin Limited and the wholly-owned subsidiary companies, American Nepheline Corporation and Industrial Minerals Canada Limited (currently, a non-operating company).

(ii) The financial statements of the majority-owned foreign subsidiary company, Klukwan Iron Ore Corporation, have not been consolidated with those of Indusmin Limited. As a matter of corporate policy, the investment in the shares of this company is carried at cost. Indusmin Limited owns 95.6% of the issued Class A shares representing a voting interest of 93.6% and a 70% interest in the earnings of Klukwan Iron Ore Corporation. This company owns a large low-grade iron ore deposit in Alaska which is under lease until the year 2036 to United States Steel Corporation for a minimum annual royalty, currently, of $100,000. The lessee has the right to (a) purchase the deposit for $10,000,000 less all royalties paid to date — which at December 31, 1973 totalled $687,695, (b) terminate the lease on ninety days' notice. The relevant financial data, expressed in U.S. dollars, is set out below:

	1973		1972	
	Total	Indusmin's share*	Total	Indusmin's share*
Net book value	$389,171	$272,470	$375,455	$267,324
Working capital	213,877	149,714	210,162	149,635
Net income	69,081	48,357	70,266	50,029
Dividends paid	59,366	42,600	79,754	56,800

*based on the 70% interest in earnings (71.2% in 1972)

Indusmin Limited has taken into income in 1973 $36,210 being a dividend of U.S. $42,600, less U.S. non-resident tax thereon. The comparable net dividend income in 1972 was $48,280.

(b) Translation of foreign currencies

Assets and liabilities in currencies other than Canadian dollars have been translated into Canadian dollars at current rates of exchange at December 31, 1973 except that fixed assets and accumulated depreciation have been

translated at the rates prevailing at dates of acquisition. Revenues and expenses in currencies other than Canadian dollars have been translated at the average monthly quoted rates of exchange except that provisions for depreciation have been translated at the rates prevailing when the expenditures on the related fixed assets were made.

(c) Depletion, depreciation and amortization

The company policy is to provide depletion of aggregate deposits on the basis of ore withdrawn and, commencing in 1971, to amortize the cost of other industrial mineral deposits in equal annual amounts over 25 years.

Depreciation of plant and equipment is calculated on the straight line basis assuming a useful life of six years for mobile equipment and twelve years for all other plant and equipment.

Repairs and maintenance are charged to operations or development; betterments and replacements are capitalized. Upon sale or retirement, the cost of the assets and the related allowances for depreciation are removed from the accounts and any gains or losses thereon are taken into earnings.

(d) Development and pre-production expenditures

Expenditures on development of ore bodies prior to the commencement of production are deferred in the company's accounts. The amounts so deferred with respect to aggregate deposits are being written off over twelve years on the straight line basis — in the case of the other ore bodies, these expenditures are being amortized on the basis of ore withdrawn as a percentage of estimated ore reserves in the particular deposits.

2. Inventories

	1973	1972
Inventories of crude ore and finished products — valued at the lower of cost or net realizable value	$ 971,021	$ 899,750
Inventory of mine and mill supplies — at cost	843,860	754,847
	$ 1,814,881	$ 1,654,597

3. Mining properties, plant and equipment

	1973	1972
Buildings, plant and equipment, at cost	$26,098,568	$25,114,834
less Accumulated depreciation	15,668,602	14,272,274
	10,429,966	10,842,560
Mining properties and land, at cost less depletion	931,407	965,484
	$11,361,373	$11,808,044

4. Expropriation proceedings

In March 1969 the Canadian Government expropriated all the lands, minerals, real properties, rights and interests therein of Indusmin Limited near St. Canut, Quebec for the purposes of the construction of the new Montreal International Airport. The company has on these lands a substantial plant for the production of silica from the deposits there located and has continued to operate these facilities.

In January 1974 the company received a proposal submitted by government, without prejudice, modifying and amending an earlier proposal dated December 8, 1972. This new proposal, which provides for the continuation of the silica operations for a minimum period of twenty years, is currently under review by company officials. It is anticipated that the outcome of the negotiations in respect of the compensation to be awarded to the company as a consequence of the expropriation will not be unfavourable. Accordingly, the accounts have not been adjusted pending final settlement with government.

5. Investment in associated and other companies

The company's investments — which remained unchanged in 1973 — are detailed as follows.

	Number of shares	Indicated market value	Cost
Falconbridge Nickel Mines Limited	16,759	$1,043,248	$ 433,196
Quebec Cobalt and Exploration Limited	43,200	12,960	4,968
Other		53	9,149
		$1,056,261	$ 447,313

The market values shown above are based upon closing market prices on December 31, 1973 and, due to the number of shares involved, are not necessarily indicative of the amount that could be realized on sale.

6. Income and mining taxes

The company, in accounting for corporate income and mining taxes, uses the deferral method of tax allocation to determine the total taxes applicable to the net earnings of the year. The taxes currently payable in any year may vary from the taxes applicable to the earnings of that year by reason of timing differences which arise when expenses recorded in the accounts differ from related amounts claimed, in a particular year, in calculating taxable income. The portion of 1973 taxes currently payable has been reduced by $239,600 ($515,600 in 1972) as a result of timing differences. At December 31, 1972 the company had an available credit of $159,500 — the recognition of which in the accounts had been deferred pending the emergence of earnings against which it could be applied. This amount, having been used in 1973, has been taken into income as an Extraordinary item. The comparable figure for 1972 is $442,100.

Included in 1973 operating profit before write-offs is tax exempt income from silica operations in Ontario totalling $462,586. The provisions for the exemption of such income terminated on December 31, 1973.

7. Lease obligations

The company in 1970 leased certain mineral property and equipment from Halton Crushed Stone Limited for a ten year period subject to options to renew in further five year periods until the year 2008. The property is held under an agreement which provides for an annual rental of $90,000, a participation in profits and a royalty on products sold.

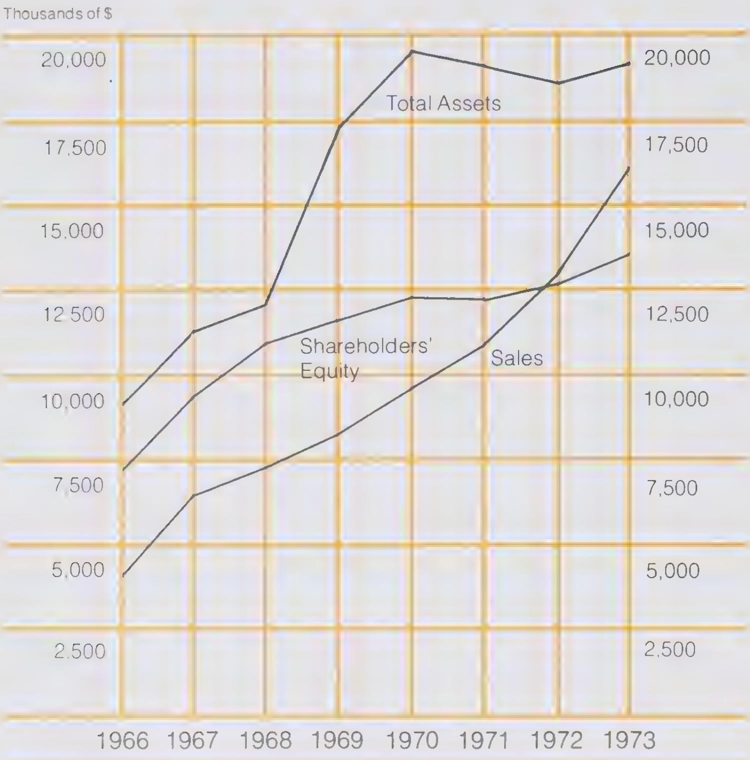
8. Retirement plans

The company, in association with Falconbridge Nickel Mines Limited and certain affiliated companies, maintains retirement plans providing retirement, death and termination benefits for all salaried employees. The plans have been amended from time to time and, based upon the most recent actuarial evaluation, such amendments have resulted in unfunded past service obligations having a present value of $137,575 at January 1, 1974 which have not been provided for in the company's accounts and for which the company has no legal obligation. However, the company intends to fund these obligations through annual payments over the next fifteen years.

9. Directors and senior officers

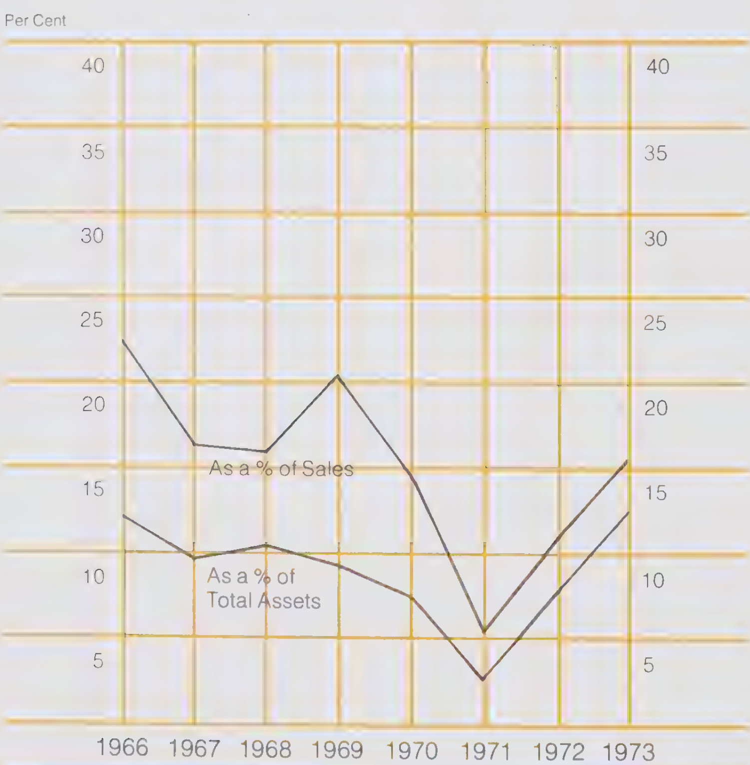
The board of directors of the parent company, Indusmin Limited, consists of seven directors whose remuneration as directors totalled $18,995 in 1973. There are ten officers and senior managers, one of whom is also a director of the company. The remuneration of the officers and senior managers aggregated $320,111 in 1973. No remuneration of directors, officers or senior managers of the parent company has been included in the accounts of the subsidiary companies.

Total Assets, Shareholders' Equity, Sales

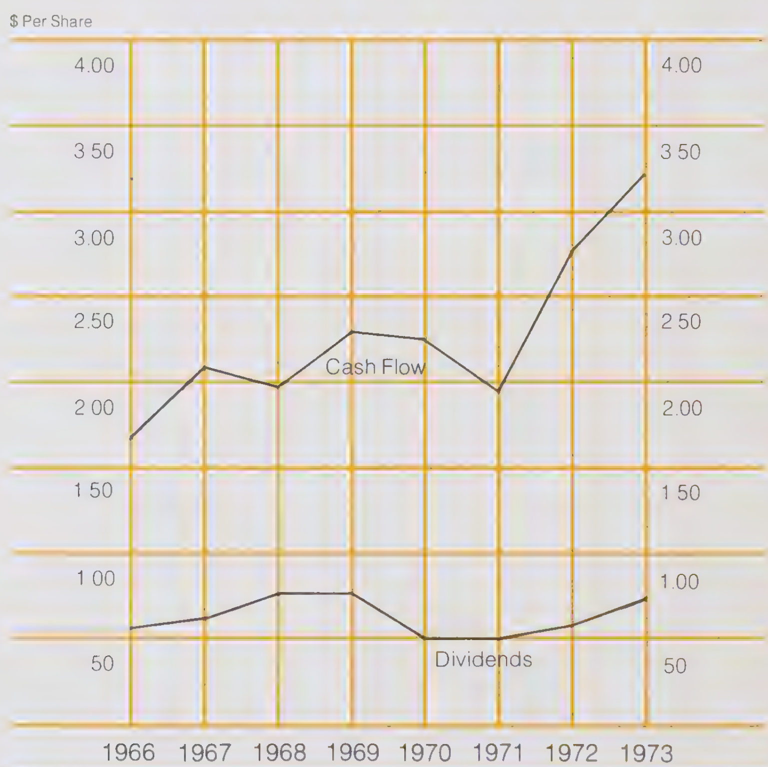


Cash Flow, Depreciation, Capital Expenditures

Income before Taxes



Cash Flow, Dividends



Statistical Summary

(Dollars in 000's except amounts per share)

	1973	1972	1971	1970	1969	1968	1967	1966
Operating results								
Sales	$ 16,145	$ 13,221	$ 10,947	$ 9,736	$ 8,220	$ 7,379	$ 6,532	$ 4,448
Operating profit –	2,515	1,674	855	1,724	1,555	1,190	1,045	949
– *% of sales*	*15.6*	*12.7*	*7.8*	*17.7*	*18.9*	*16.1*	*16.0*	*21.3*
Interest expense	274	298	375	366	112	–	–	–
Other income	198	76	77	91	224	34	56	49
Income before taxes	2,439	1,452	557	1,449	1,667	1,224	1,101	998
Income and mining taxes	962	646	139	627	695	537	298	389
Net income –	1,477	806	418	822	972	687	803	609
– *% of sales*	*9.1*	*6.1*	*3.8*	*8.4*	*11.8*	*9.3*	*12.3*	*13.7*
– per share	$ 1.26	$ .69	$ .36	$ .70	$ .83	$ .59	$ .83	$ .71
Add extraordinary item	159	442	41	483	567	526	526	–
Net earnings –	1,636	1,248	459	1,305	1,539	1,213	1,329	609
– per share	$ 1.40	$ 1.07	$ .39	$ 1.12	$ 1.32	$ 1.04	$ 1.38	$ .71
Capital & mine development expenditures	1,439	1,335	1,798	3,450	4,862	1,971	2,284	358
Depreciation, amortization & depletion	2,060	1,911	1,588	1,142	1,064	1,100	984	724
Cash flow from operations	3,777	3,266	2,262	2,668	2,707	2,318	2,018	1,412
Financial position								
Working capital (deficit)	637	(844)	(2,132)	(1,983)	(629)	2,604	1,568	2,488
Net plant & equipment	11,361	11,808	12,372	12,416	10,725	6,925	7,176	4,433
Total assets	19,484	18,965	19,467	19,631	17,433	12,171	11,221	8,165
Shareholders' equity	13,618	12,857	12,252	12,376	11,655	10,992	9,539	7,324
% Return on shareholders' equity	*12.0*	*9.7*	*3.7*	*10.5*	*13.2*	*11.0*	*13.9*	*8.3*
Dividends								
Dividends – paid	876	642	584	584	876	825	550	471
– per share	$ .75	$ .55	$ .50	$ .50	$ .75	$ .75	$ .60	$ .55
Shares outstanding 31st December	1,167,901	1,167,901	1,167,901	1,167,901	1,167,901	1,167,901	965,497	856,855

NOTES:

1. The figures for 1970 and prior years have been restated to reflect
   (a) the adoption of the tax allocation basis of accounting for income and mining taxes,
   (b) the inclusion in the income statement of items which were previously shown in the statement of retained earnings.
2. Acton Limestone Quarries Limited was merged with Indusmin Limited in 1967.
3. Q.M.I. Minerals Limited was merged with Indusmin Limited in 1968.

indusmin limited

Head office

P.O. Box 40, Commerce Court West,
Toronto, Ontario M5L 1B4

Directors

*W. E. Curry — Toronto, Ontario
Executive

*J. K. Godin — Toronto, Ontario
Consulting Mining Engineer

F. D. Hart — Arlington, Virginia
President,
American Gas Association

E. L. Healy — Toronto, Ontario
Executive Vice President Operations,
Falconbridge Nickel Mines Limited

J. J. Mather — Toronto, Ontario
Vice President Industrial Minerals Division,
Falconbridge Nickel Mines Limited

R. E. Paré — Montreal, Quebec
Executive

*G. T. N. Woodrooffe — Toronto, Ontario
Vice President Corporate Affairs,
Falconbridge Nickel Mines Limited

*Members of the Audit Committee

Officers and senior management

J. J. Mather — *President & Managing Director*

D. D. Anderson — *Secretary*

J. D. Krane — *Treasurer*

G. E. Dale — *General Manager Finance*

D. C. McDonald — *Vice-President Engineering*

D. G. Minnes — *General Manager Corporate Development*

C. M. Woodruff — *Vice-President Operations*

R. C. Wilson — *Director of Research*

A. G. Borud — *Division Manager Construction Materials*

R. Lavertu — *Division Manager Industrial Materials*

Subsidiaries

American Nepheline Corporation
Wholly owned
P.O. Box 3766,
Columbus, Ohio. 43214

Klukwan Iron Ore Corporation
93% voting interest
Suite 201, 311 Franklin Street,
Juneau, Alaska

Transfer agents

Crown Trust Company,
302 Bay Street,
Toronto, Ontario M5H 2P4

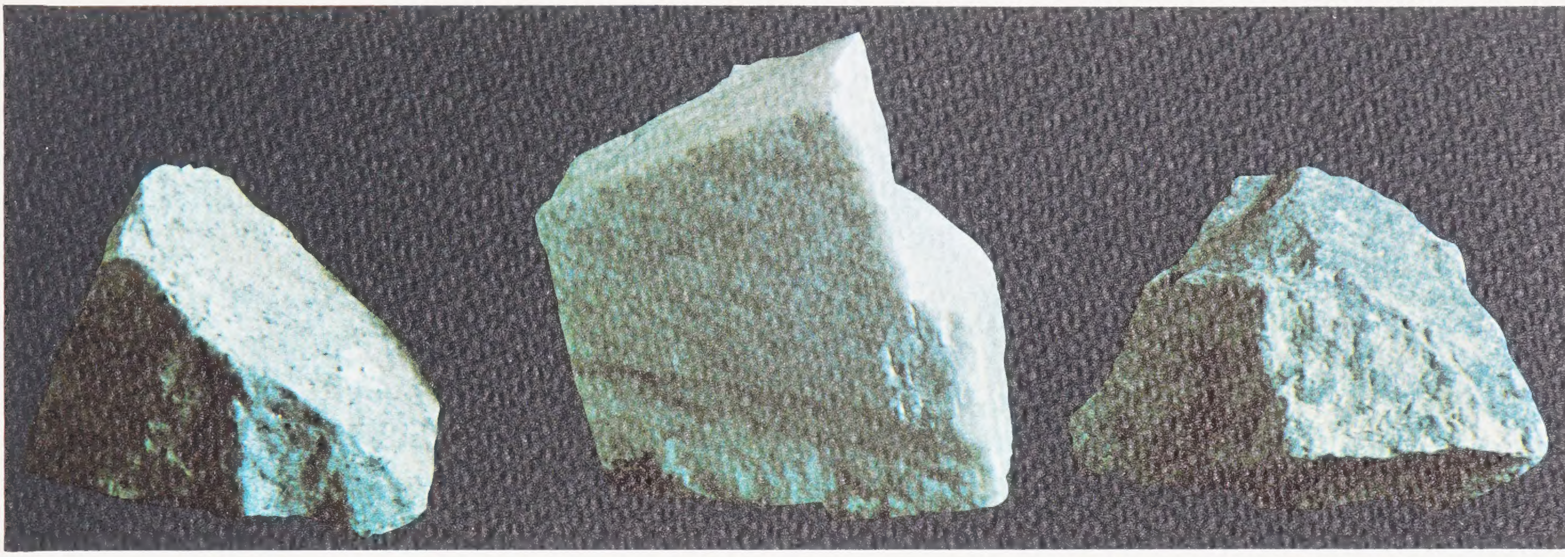
Auditors

McColl, Turner & Co.,
Peterborough, Ontario

Solicitors

Strathy, Archibald, Seagram and Cole,
Suite 1700, 110 Yonge Street,
Toronto, Ontario. M5C 1T7

indusmin Operations



Industrial Materials Division

Nepheline Syenite

Plant No. **1**, Nephton, Ontario

Silica

Plant No. **2**, St. Canut, Quebec

Plant No. **3**, St. Donat, Quebec

Plant No. **5**, Badgeley Island, Ontario

Plant No. **6**, Midland, Ontario

Construction Materials Division

Aggregates

Plant No. **4**, Acton, Ontario

Plant No. **7**, Milton, Ontario

Yard No. **2**, Scarborough, Ontario

Yard No. **3**, Pinecrest, Ontario

Research Centre, 1933 Leslie Street, Don Mills, Ontario

Product Applications

	Container Glass	Sheet Glass	Fibre Glass	Concrete Products	Paint	Plastic	Ceramics	Foundry	Construction	Asbestos Pipe	Abrasives	Rubber
Nepheline Syenite	●	●	●		●	●	●					●
Silica	●	●	●	●	●		●	●	●	●	●	
Aggregates				●					●			

indusmin limited

Commerce Court West, P.O. Box 40,
Toronto, Ontario, Canada.
M5L 1B4

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OUTLOOK

It is anticipated that the consumer demand for our products during the remainder of 1973 will continue at a high level, however, two issues could seriously modify this expectation, the current strikes in the glass industry, and the possibility of strikes which may disrupt rail services.

J. J. Mather
President & Managing Director
Toronto, Canada
July 17, 1973

indusmin limited

a dependable source of mineral products for industry
Commerce Court West, P.O. Box 40,
Toronto, Ontario, Canada. Tel. 863-7000 M5L 1B4

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indusmin limited

Interim Report for
6 months ended
June 30, 1973

Quarterly highlights

indusmin limited

Interim Statement

For six months ended June 30, 1973 (with comparative figures for 1972)

OPERATIONS

	1973	1972
Sales of all products	$ 7,493,735	$ 5,880,381
Cost of products sold	4,527,622	3,518,815
Selling, general and administrative expenses	885,337	871,813
	5,412,959	4,390,628
Operating profit before write offs	2,080,776	1,489,753
Depletion, depreciation, and development expenditures written off	1,014,055	893,902
Operating profit	1,066,721	595,851
Interest expense	114,004	146,568
	952,717	449,283
Income from investments	–	16,890
Net profit before taxes	952,717	466,173
Income and mining taxes		
Currently payable	277,300	41,175
Deferred	54,500	136,750
	331,800	177,925
Net income before extraordinary item	620,917	288,248
Extraordinary item	32,800	104,463
Net earnings for the period	653,717	392,711
Per share	.56	.34

SOURCE AND APPLICATION OF FUNDS

	1973	1972
Source of Funds		
Net earnings for the period	653,717	392,711
Depletion, depreciation, development expenditures and other charges (net) not involving current outlay of funds	1,014,055	893,902
Income and mining taxes deferred less extraordinary item	21,700	32,287
Cash recovery from operations	1,689,472	1,318,900
Notes payable	429,533	–
Total funds provided	2,119,005	1,318,900
Application of funds		
Expenditures for plant, equipment and mine development	855,327	679,443
Increase in sundry other assets	75,270	4,510
Current year's portion of notes payable	152,596	1,000
Dividends paid to shareholders	291,975	291,975
	1,375,168	976,928
Resulting in an increase in working capital of	743,837	341,972
Working capital deficiency at beginning of period	843,680	2,132,218
Working capital deficiency at end of period	$ 99,843	$ 1,790,246

NOTES:
(1) 1972 figures have been restated to reflect the reclassification of mine and mill supplies inventories as current assets.
(2) Figures are unaudited.

Interim Statement

Six months 1973

SALES

The sales volume in the first 6 months of 1973 exceeded that of the corresponding period in 1972 by 27%. This very favorable gain was due to several factors: the unusual strength of Aggregates Division sales in the first quarter, the improvement in productivity at the Midland operation, and the overall strength of the economy.

The ratios of divisional sales to total sales were as follows:

Division	6 Months 1973	6 Months 1972	12 Months 1972
Nepheline Syenite	35%	41%	36%
Aggregates	26%	16%	24%
Silica (Quebec)	23%	27%	25%
Silica (Ontario)	16%	16%	15%

EARNINGS

	1973	1972
First Quarter	$124,195	$ (5,581)
Second Quarter	529,522	398,292
6 Months	$653,717	$392,711

The earnings performance of the Ontario Silica Division continues to improve as the program of plant modification is advanced. In the first 6 months of 1973 this Division reported a profit of $30,000 after write-offs of $320,000, contributing $350,000 to cash flow. The comparable contribution to cash flow in 1972 was $185,000.

FINANCIAL

	30 June 1973	30 June 1972
Bank advance	$3,949,000	$5,297,000
Cash recovery	1,689,472	1,318,900
– per share	1.45	1.13